

April 12, 1996

TO: The Board
FROM: Carter
RE: PUBLIC HEARING OF APRIL 24, 1996

There are two public hearings set for 9:30 a.m. Wednesday, April 24:

1. WACs 314-20-100/314-24-190

These WACs deal with price posting requirements for beer and wine. (RCW 66.28.180) The changes were requested by wholesalers who provide beer and wine products to retailers located on San Juan, Orcas and Lopez Islands. LCB staff contact: Rich Raico.

Background

The wholesalers want to be allowed to file additional postings that take into account extra costs such as ferry tolls which are applicable to deliveries to these islands. The problem stems from wholesalers who currently post one set of prices for all retailers. When they use the ferries, their costs increase to the extent they are close to selling below cost to the island retailers. (Mainland retailers and island retailers are buying their wine and beer at the same price.)

Please note: There was a flaw in the filing of the CR 101. I got my counties messed up and indicated the islands involved were in Island County rather than San Juan County. Everyone involved in the proposal understands the mix-up and a simple statement in the filing of the final rule will suffice, but you do need to be aware of that fact. I FAX'd corrections to the media in the two counties, and the stakeholders understood so there should be no problem in making the appropriate explanation in the final filing.

2. WAC 314-24-220

The other hearing applies to bonded wine warehouses. (RCW 66.24.185) This is a request from the Washington Wine Institute/Commission. LCB staff contact: Rich Raico.

Background

Previous Board's have heard this issue before. The idea was originated at meetings the LCB had with the wineries in 1993 and 1994. The last time it was formally heard by the Board was August 4, 1995. It proposal was withdrawn by the Board later that month after the wholesalers and wineries failed to reach an agreement on the language. (There were some concerns voiced by the Beer and Wine Wholesalers and some wineries, but the language in this filing has been agreed to by all sides.) Currently, wineries who store their wine at the bonded wine warehouse and want to sell it under their own wholesaler's authorization need to remove their product, take it back to the winery and then deliver it to the retailer. In reality, a Spokane winery would come to the bonded wine warehouse in Issaquah, return to Spokane and drive back to Seattle to deliver.

PLAINTIFF'S
EXHIBIT

CASE
NO. CV04-0360P

EXHIBIT
NO. 144

Resp to Costco RFP
4493

DEP EXHIBIT
CA 91
NOTAR / PUBLIC
TANTE
6-2705

RESP TO COSTCO RFP 4493

(Nate: suggested comments for WAC hearing of April 24, 1996-mcm)

Good morning! The regularly scheduled meeting of the Liquor Control Board will come to order. For those of you who are new to our proceedings, I'm Nate Ford, Chairman of the Board. To my left is Senior Board Member Jack Rabourn and to my right is our newest Board Member Mary McKnew.

This is the date and time scheduled for public hearings on two proposed rule changes. We will work from the sign-up sheets first and then open the floor up for anyone else who didn't get signed in to make comments.

Our meetings are recorded so I will ask that you give your name, identify whom you represent and give us a mailing address so we may communicate with you in the future on these subjects.

I'll ask you to keep your comments directed to the subject and if someone before you says the same thing you wanted to say, please indicate that you agree and add anything new, but let's keep repetition to a minimum.

We will not be taking action on any of the proposals that we hear today. The Administrative Procedure Act requires that we respond to individuals who may offer options to what is being proposed so we will take action on these proposals next Wednesday at our regular weekly meeting.

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The first proposal deals with two sections of Washington Administrative Code, commonly known as WAC. The legislature makes laws which are part of the revised Code of Washington and the agencies are empowered to adopt rules which implement the laws. WAC 314-20-100 and 314-24-190 pertain to price postings wholesalers are required to file with the Board. We were asked to consider allowing additional price postings to be filed by wholesalers who deliver beer and wine to a unique part of our state, where ferries or airplanes are the methods of transportation.

Before we have the proposals explained, I will say that contrary to the original language placing the islands in Island County, we are talking about the islands which are located in San Juan County. Carter has promised to take a map reading class in order to prevent the mistake in the future. I know the news release may have been mailed on April Fool's Day, but...really!

Seriously, Carter contacted the news media in both counties and talked with Phil Wayt about the error. I think everyone here today recognizes we are talking about the ferry tolls that are required in order to deliver products to retailers on San Juan, Lopez and Orcas Islands.

When we file the final paperwork with the Code Reviser, we will indicate the county mix-up was thoroughly discussed during this hearing so as to avoid the necessity of re-filing the paperwork. As long as everyone is in agreement, there should be no problems.

Rich Raico, Supervisor of Manufacturers, Importers and Wholesalers, would you please explain the proposal...

(Rich's comments)

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Does the Board have any questions of Rich before we begin testimony?

Phil Wayt, Executive Director of the Washington State Beer and Wine Wholesalers Association...some of your membership originated this idea. Do you want to add anything now or have your members explain why they seek the change?

(Phil's comments, if any)

Turning to the sign-up sheets...

(go in order - have people identify themselves for the record)

Is there anyone else who wishes to comment?

Does the Board have anything to add?

Moving on to the next proposal, this is a subject that I understand previous members of the Board have heard several times before. WAC 314-24-220 pertains to bonded wine warehouses and the storage and removal of wine from such facilities. The proposal before us today is a change requested by the Washington Wine Institute so I think I'll ask Simon Siegl, the Institute's Executive Director to explain the proposal.

(Simon's comments)

Rich, this is also your area of responsibility, do you have anything to add before we start in on the testimony?

Does the Board have any questions of either Simon or Rich?

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Turning to the sign-up sheets...

(go in order - have people identify themselves for the record)

Is there anyone else who wishes to comment?

Does the Board have any comments?

This concludes our public hearing for today. As I mentioned at the start of today's meeting, we will not take action on these proposals until next week. During that time, we will take the suggestions into consideration, do some follow-up with the staff and correspond back to those of you who provided testimony today. Again, thank you for taking the time to be involved in your government at work.

An agency's rule-making activities are extremely important. They provide the people whom they are effect with an opportunity to become involved in fine tuning the procedure the agency will actually pursue in implementing the law. I believe this process is an excellent form of the democratic process at work and it can only work the way it was intended if people, like yourselves, take an active role in what is being done.

We'll take a brief five minute break and those of you who have other business may leave. You are welcome to stay for the rest of the meeting, but we understand if you want to leave and go about your own business.

(Pick up the rest of the agenda)